

**GOVERNMENT OF TELANGANA**  
**ABSTRACT**

Irrigation & CAD Department - Kaleshwaram Irrigation Project Corporation Ltd., Hyderabad – Financial Assistance of Rupee Term Loan to KIPCL Ltd., from Rural Electrification Corporation Limited towards Electro- Mechanical, Hydro-Mechanical and associated civil works under 02 schemes of Kaleshwaram Multi-purpose Irrigation Project – Permission – Accorded – Orders issued.

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**IRRIGATION AND CAD (Projects-IV) DEPARTMENT**

**G.O.Rt.No. 346**

**Dated: 29-08-2019**

**Read the following:-**

1. G.O.Ms.No.145, I&CAD (Projects-II) Dept., Dt.06-10-2015.
2. From the Managing Director, KIPCL, Hyderabad, Lr.No.MD/KIPCL/HYD/ 2017/381, Dt.18-07-2019.

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**ORDER:-**

In the reference 1<sup>st</sup> read above, Government have issued orders constituting the Kaleshwaram Irrigation Project Corporation (KIPCL) to plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Kaleshwaram Project.

2. In the reference 2<sup>nd</sup> read above, the Managing Director, Kaleshwaram Irrigation Project Corporation Limited, Hyderabad has requested the Government to accord concurrence / approval for the terms and conditions of loan sanctioned by the Rural Electrification Corporation Limited for an amount of **Rs. 18751.38 Cr (Including IDC) @ 10.90 % p.a** towards implementation of additional 1 TMC of water per day consisting of Electro-Mechanical & Hydro-Mechanical components and all associated works under two schemes i.e., **Scheme 1: Rs.4657.95 Cr (Including IDC)** for lifting of additional 1 TMC water per day from Medigadda Barrage on Godavari River to Reservoir at Sripada Yellampally Project (SYP) under Link-1 and **Scheme 2: Rs. 14,093.43 Cr** ( Including IDC) for lifting of additional 1 TMC water per day from Mid Manair Reservoir to Sri Komaravelli Mallana Sagar Reservoir and to issue necessary orders with regard to required documents to be provided by the Government, in order to execute the loan agreement with the REC Ltd.

3. Government after careful examination of the matter, hereby accord approval for Financial Assistance of Rupee Term Loan from the Rural Electrification Corporation Limited to Kaleshwaram Irrigation Project Corporation Ltd., Hyderabad for an amount of **Rs. 18751.38 Cr (Including IDC) @ 10.90 % p.a** as per the terms and conditions annexed to this order towards implementation of additional 1 TMC of water per day consisting of Electro-Mechanical & Hydro-Mechanical components and all associated works under two schemes i.e., **Scheme 1: Rs. 4657.95 Cr (Including IDC)** for lifting of additional 1 TMC water per day from Medigadda Barrage on Godavari River to Reservoir at Sripada Yellampally Project (SYP) under Link-1 and **Scheme 2: Rs. 14,093.43 Cr (Including IDC)** for lifting of additional 1 TMC water per day from Mid Manair Reservoir to Sri Komaravelli Mallana Sagar Reservoir, subject to condition that the KIPCL shall pay guarantee commission at 2% consolidated for the entire guarantee period to Govt. and the amount shall be remitted to the following Head of Account for guarantee given by the Government, as the guarantee commission cannot be exempted as per RBI guidelines:

**“0070 Other Administrative Services – 60. Other Services – MH  
800. Other Receipts – SH 08 Commission”**

**P.T.O.**

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4. This order issues with the concurrence of the Finance (DCM) Department vide their U.O.No.4973/288/A1/DCM/2019, Dt.17-07-2019.

5. The Managing Director, KIPCL, Hyderabad shall take necessary action accordingly.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)**

**DR. SHAILENDRA KUMAR JOSHI  
CHIEF SECRETARY TO GOVERNMENT**

To

The Managing Director, KIPCL, Hyderabad.

The Accountant General, Hyderabad.

The Director of Works and Accounts, Hyderabad.

The Director of Treasuries and Accounts, Hyderabad.

**Copy to:**

The Engineer-in-Chief, Kaleshwaram Project, Hyderabad.

The PS to Chief Secretary to Government

The Finance (DCM) Department.

The OSD to Hon'ble CM (Irrigation)

**// FORWARDED : : BY ORDER //**

**SECTION OFFICER**

**(Contd... to Annexure)**

**ANNEXURE to the G.O.Rt.No.346, I&CAD (Projects-IV) Dept., Dt. 29-08-2019**

**TERMS & CONDITIONS OF SANCTION OF RUPEE TERM LOAN**

1. Security:

The loan shall be secured by unconditional and irrevocable guarantee from Govt. of Telangana for the repayment of loan, payment of interest, service charges thereon, additional interest, if any, and costs, charges, expenses, losses, applicable taxes, statutory duties and other money. The Government Guarantee shall be provided within a time of 6 months from the date of sanction.

Besides, hypothecation of assets created/to be created under the schemes shall also be provided in favour of REC [REC Ltd. (Formerly Rural Electrification Corporation Ltd.)] by KIPCL within 3 months of transfer of assets in favour of KIPCL by State Government.

The Borrower shall undertake that if, at any time during the subsistence of this Agreement, REC is of the opinion that the security provided by the Borrower has become inadequate to cover the balance of the loans outstanding, the Borrower shall provide and furnish to REC additional security as may be acceptable to REC to cover such deficiency.

2. Rate of Interest:

- a. Interest rate of 10.90% p.a. on monthly rest with 3 year reset by providing rebate of 88 bps on the rates applicable for conventional generation schemes under A+ category borrower as per Lending rate circular issued time to time by REC. The interest rate is further subject to following conditions:-
  - i. If REC lending rate for KIPCL falls below 10.90%, the applicable interest rate shall be REC lending rate for KIPCL without any rebate;
  - ii. If REC lending rate for KIPCL is between 10.90% and 11.78%, the applicable interest rate shall be 10.90%.
  - iii. If REC lending rate for KIPCL goes above 11.78%, a rebate of 88 bps shall be applicable on REC lending rates for KIPCL.
- b. The Interest shall be payable by the borrower on monthly basis. The 1<sup>st</sup> 'Interest Due Date' shall be the last day of the month in which the first disbursement is made and all subsequent 'Interest Due Dates' shall be the last day of every month till the full Loan amount along with all other dues are paid back to REC. There will not be any moratorium for payment of interest. All interest and their cost, charges, expenses shall accrue on daily basis and be calculated on the basis of actual number of days elapsed and an year of 365 days.
- c. Notwithstanding anything stated hereinbefore, it will be open to REC to periodically reduce or enhance the rate of interest in respect of loan installments not disbursed up to the date of such revision. The revision in the rate of interest shall take effect from such date as may be notified by REC.

3. Loan period:

Repayment shall be 12 years (144 equal monthly instalments) commencing after scheduled completion date of 01.04.2021. A moratorium period of maximum 6 months' is allowed. Interest shall be serviced on monthly basis with no moratorium period.

4. Mode of repayment:

The entire loan shall be repaid by the Borrower in 144 equal monthly installments and the 1<sup>st</sup> 'Loan Repayment Due Date' shall be last day of the month after moratorium period and all subsequent 'Loan Repayment Due Dates' shall be last day of each following month till the entire loan amount along with interest & all other dues are repaid to REC in full.

5. The sanction shall be valid for a period of six months from the date of sanction letter. However, REC can extend the validity period on the request of the borrower after being satisfied of the reasons of delay furnished by the Borrower.

**Pre-commitment Conditions:**

- a) KIPCL shall undertake to seek approval/clearances from respective authorities for execution and operation of scheme(s).
- b) KIPCL shall submit an undertaking that it shall acquire/obtain and maintain valid possession of land required for the scheme covered under the project throughout the tenor of REC loan.
- c) KIPCL shall submit an undertaking that it shall obtain all statutory and non-statutory clearances/ approvals as required during implementation and operational phases of the proposed scheme(s) and will comply with the conditions specified therein.
- d) KIPCL shall undertake that there is no duplication/overlapping of works with any other scheme(s) for which funding has been sought from REC/other banks and FIs
- e) KIPCL shall undertake to arrange debt from Banks and FIs or budgetary support from Govt. of Telangana for the balance funds required for completion of the project/scheme.
- f) The Borrowers shall give an undertaking that any change in its pattern of ownership including shareholding of government shall be subject to prior written approval of REC. Under such cases REC reserves the right to take necessary measures for safeguarding the interest of REC and to stipulate additional conditions including but not restricted to rate of interest, additional security, collateral etc.
- g) KIPCL shall undertake that the total loan amount from REC/Banks/FIs availed by KIPCL shall not exceed the limit (presently Rs. 95,000 Crores) or as revised by Govt of Telangana at all times.
- h) KIPCL shall submit the latest Expenditure certificate duly certified by Statutory auditor/Chartered Accountant.
- i) KIPCL shall Indemnify REC in case of any tax, expense etc. implications with respect to loan availed from REC during the currency of the loan. All the charges shall be borne by KIPCL.
- j) KIPCL shall undertake that the funds granted by the banks/FIs would be utilized for the purpose for which the loans were granted and the same would not be utilized for speculative purposes and/or for the payment of the interest and Term Loan Instalments and other borrowings.

- k) KIPCL shall accept the unqualified right of REC/RBI/CIBIL/appropriate Statutory body to disclose/publish, in case of default, the details of the default, name of the company and its directors in such manner and through such media, as they may, in their absolute discretion, deemed fit.
- l) KIPCL shall give an undertaking to the effect that the loan obtained from REC will be utilized exclusively for the purpose for which it is released and will also have to take necessary steps to ensure such utilization.
- m) The Borrower shall undertake that if, at any time during the subsistence of this Agreement, REC is of the opinion that the security provided by the Borrower has become inadequate to cover the balance of the loans then outstanding, the Borrower shall provide and furnish to REC additional security as may be acceptable to REC to cover such deficiency.
- n) The borrower shall undertake that it shall not take any additional debt exposure beyond the agreed funding pattern for the project and/or to take new project and/or expansion of existing project without the prior approval of REC.
- o) Before entering into loan agreement with REC, Govt. of Telangana to provide a confirmation that the State Govt. Guarantee to be extended as security for the REC loan are within the available Fiscal Responsibility and Budget Management (FRBM) limits for Telangana State.
- p) Borrower shall re-confirm the rating of the State from ICRA/from another rating agency after the current sanction of loan and submit the same to REC within 3 months of sanction.

**Pre-disbursement Conditions:**

- a) Before disbursement, KIPCL shall arrange to submit a confirmation from Govt of Telangana that adequate provision will be kept in Annual Budget towards payments of principal, interest and other obligations of KIPCL towards REC's loan during the currency of loan.
- b) KIPCL shall clear the over dues, if any, to REC before start of disbursement.
- c) The borrower shall, before the disbursement of loan, shall furnish a quarterly drawl schedule in the prescribed form.
- d) Before first disbursement, KIPCL shall open separate/dedicated account for each scheme (for which loans are sanctioned by REC). KIPCL shall submit quarterly statement of the same, within 15 days of quarter ending.
- e) Before first disbursement, KIPCL shall submit the No-default Certificate from MD/CS/CFO confirming that there is no default or over dues (payment of interest or principal) to any Bank/Financial Institution including REC at the time of disbursement. In case of over dues, the same shall be cleared before any disbursement by REC.
- f) Disbursements shall be made based upon the utilization submitted by KIPCL supported with bills/invoices details etc.

**Other Conditions:**

- a) KIPCL shall execute such Agreements and documents as are prescribed for the purpose by REC.
- b) KIPCL shall furnish a resolution passed by its Board/shareholders, as may be required, to borrow from REC a loan of Rs. 18751.38 Cr. as per the terms and conditions prescribed by REC.

- c) The amount of loan shall be released in tranches on execution of documents and complying with all terms and conditions specified for the loan.
- d) A Memorandum of Agreement (MOA) i.e. Loan Agreement and other documents in the prescribed format shall be executed between the Borrower and REC before release of loan amount by REC.
- e) The amount due (both interest payment as well as principal repayment) shall be paid by way of Demand Draft/ remittance in REC account at New Delhi under advice to this office. Remittance of each installment of interest and principal repayment shall be so paid to enable its credit in REC Account on or before due date. Bank charges/collection charges and other expenses shall be fully borne by KIPCL. If due date is a bank holiday at the recipient branch, the borrower has to remit the amount on the following working day. Any payment(s) received before the due date shall be deemed to have been received on the due date only.
- f) The loans shall also be subject to further terms & conditions as incorporated in the format of Memorandum of Agreement/Other documents to be executed by KIPCL.
- g) REC shall be fully empowered not to disburse any further loan, if it is found to its satisfaction that the loan or the loans already disbursed have not been properly utilized or obligation and commitment to REC in terms of provisions of the agreement are not fully met.
- h) In the event of any installment of interest or of the principal, not being paid to REC by KIPCL on the due dates, KIPCL shall pay to REC a penal rate of compound interest (which is presently 2% p.a.) at the applicable rates as per REC circulars, over and above and in addition to the rate of interest stated herein above.
- i) KIPCL shall also furnish to REC such reports on its working either in general or in specific relation to the sanction of this loan by REC in the manner prescribed by REC from time to time.
- j) Borrower shall comply with any other condition that may be stipulated by REC to ensure and get satisfied that the loan amount granted is utilized only for the purpose for which it is intended. It will be open to REC to depute its officers and other staff for inspection of matters relating to this loan and its purpose and the inspection staff shall have access to such books, records and stores of the KIPCL as may be deemed necessary by the inspection staff.
- k) REC also reserves its right to adjust/appropriate from any remittances made by the Borrower for the following dues under this loan as well as under any other Loan availed by the Borrower in the following order unless otherwise agreed:
  - i. All costs, charges, expenses, losses, applicable taxes, statutory duties and TDS and other moneys being due from the Borrower;
  - ii. Interest on costs, charges, expenses, losses, applicable taxes, statutory duties and TDS and other moneys. If any;
  - iii. Penal and/or Additional Interest including interest tax, if any;
  - iv. Any overdue Interest including interest tax, if any;
  - v. Any due Interest including interest tax, if any;
  - vi. Repayment of Principal falling due; and surplus remaining out of above, if any, shall be retained as an advance receipt of next falling due Interest and/or Principal installment.

- l) Any prepayment of the Loan by the Borrower shall not be permitted except with the prior approval of REC and on such terms and conditions as may be decided by REC including payment of premium as per the policy of REC as may be applicable from time to time.
- m) Notwithstanding anything stated above, REC reserves the right to cancel the commitments i.e. sanction loan amount or stand by facilities and credit lines, either fully or partially, unconditionally without prior notice at anytime or stipulate any condition as deemed fit.
- n) The Borrower shall not raise borrowings from any other sources for meeting the cost of equipment/materials/works financed through this loan.
- o) KIPCL shall confirm the possession of land and transfer of title in its favour, within 3 months' time of first disbursement.
- p) The Borrower shall take all necessary steps to ensure that the project is completed within stipulated completion date or such other date as may be agreed to by REC. The completion date of the project shall be 01.04.2021.
- q) KIPCL shall furnish monthly progress reports by 15<sup>th</sup> of every month
- r) Sale/Transfer/ Abandoning of the project by the borrower  
The Borrower shall not sell/transfer or abandon the project at any stage in any manner without prior written consent of REC. In case at any stage or on a future date, the project is proposed to be transferred to any other organization or to be abandoned, the borrower shall seek prior consent of REC before any such transfer is affected and in such case, REC reserves the right to recall the loan with all outstanding dues including prepayment premium as applicable from time to time.
- s) Right To Assign / Transfer The Loan To Other FIs, Banks & ARCs  
During the currency of the loan, REC shall have the right to assign all or any of its obligations or transfer the loan to any other Financial Institution(s), Bank(s), Asset Reconstruction Company (ies) without the consent of the borrower.
- t) The borrower shall during the currency of loans bear all such imposts, duties and taxes or any other charges as may be levied from time to time by the Government or other authority.
- u) The Borrower shall be bound to follow and give effect to all instructions/ recommendations of REC. Further, REC reserves the right to impose any new conditions that deemed fit to take care of REC's interest during the loan tenure.
- v) Reimbursement of expenditure already incurred towards the works covered under the scheme(s) shall be permissible.
- w) KIPCL shall obtain approval from CWC for the scheme, if required.
- x) In case of privatization/ any amendment in the Act with respect to constitution of KIPCL, REC shall have the unqualified right to recall the loan.
- y) KIPCL shall submit financials (quarterly) within 45 days from the end of the quarter and audited financial statements within two months from the end of the financial year.

- z) Notwithstanding anything contained in this Loan sanction letter or the Loan agreement, the lender reserves the right to cancel the Commitments i.e. the sanctioned loan amount or standby facilities and credit lines, either fully or partially, unconditionally without any prior notice at any time.
- aa) The closing date of loan shall be 6 months from the date of scheduled completion date (01.04.2021) or such other date as may be agreed by REC.
- bb) If desired by the borrower, REC may make an advance payment as per the disbursement procedure of REC on completion of necessary loan documents. The utilization certificate from Statutory Auditor shall be submitted by the borrower normally within 6 months of the drawl against the advance.
- cc) No dividend shall be declared by the borrower if there is any default in respect of REC's loan.
- dd) The borrower shall enter into agreement with Govt. of Telangana by 31.12.2019 whereby the assets proposed to be created under Kaleshwaram project are transferred in the name of the Kaleshwaram Irrigation Project Corporation Limited (KIPCL).
- ee) REC shall have the right to appoint its officer as nominee director in the board of KIPCL till the time REC's loan is repaid. KIPCL shall amend its articles of association accordingly.

**DR. SHAILENDRA KUMAR JOSHI**  
**CHIEF SECRETARY TO GOVERNMENT**

**SECTION OFFICER**